

Arizona Economic Forum Presentation

June 24, 2005

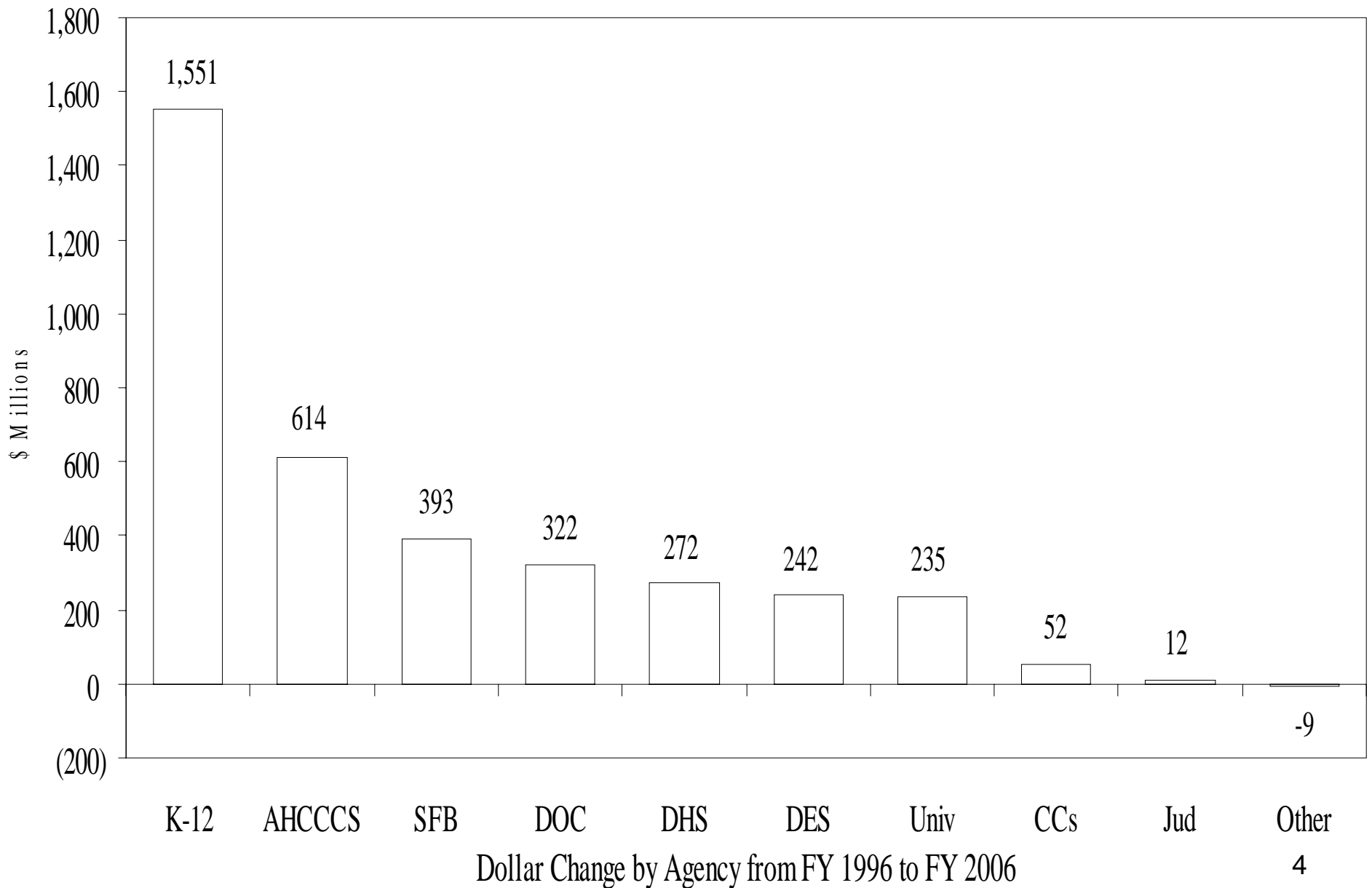
JLBC Staff

How Does State Spending Compare to 10 Years Ago?

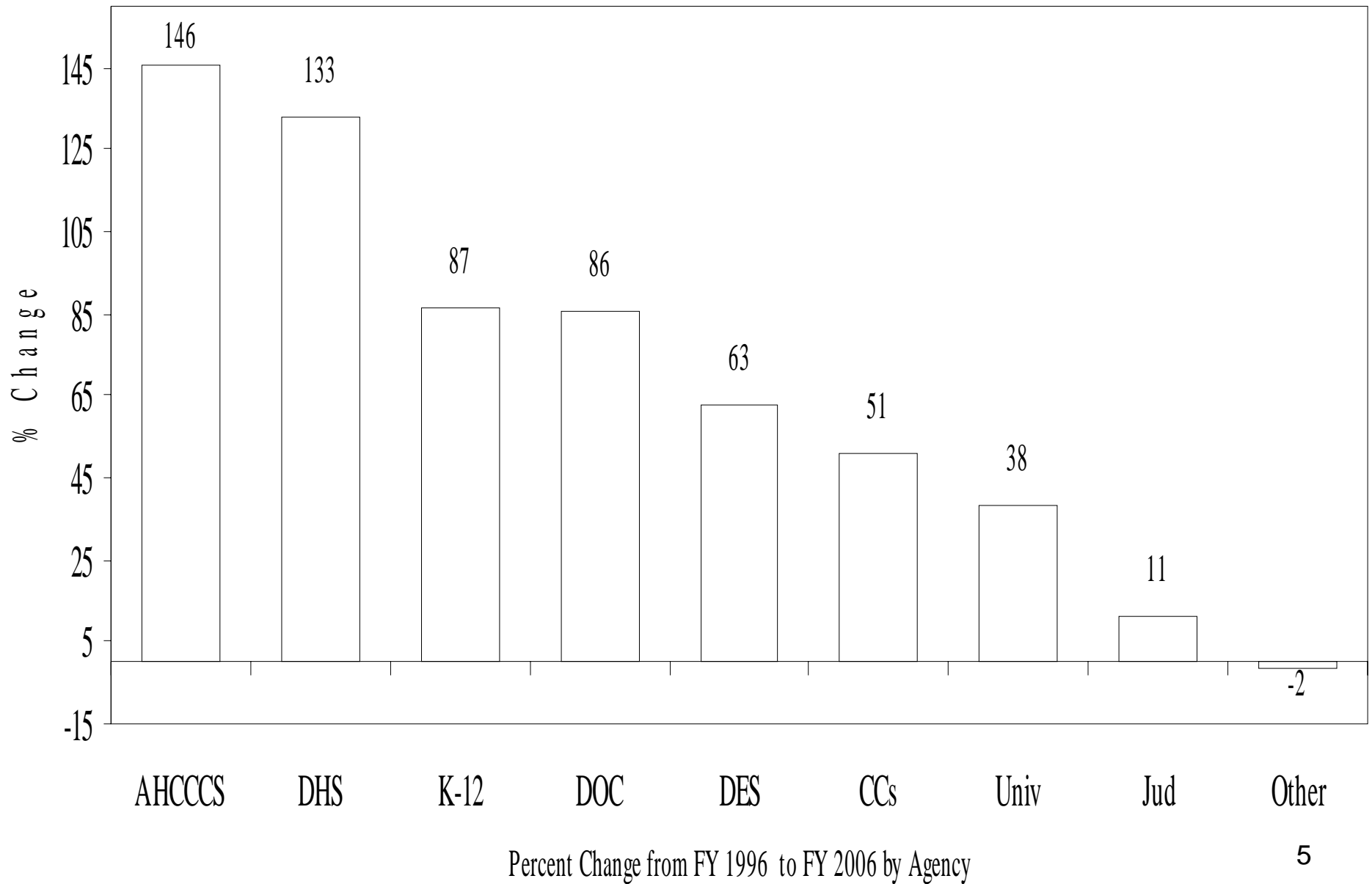
General Fund

- FY 1996 Spending = \$4.5 B
- FY 2006 Spending = \$8.2 B

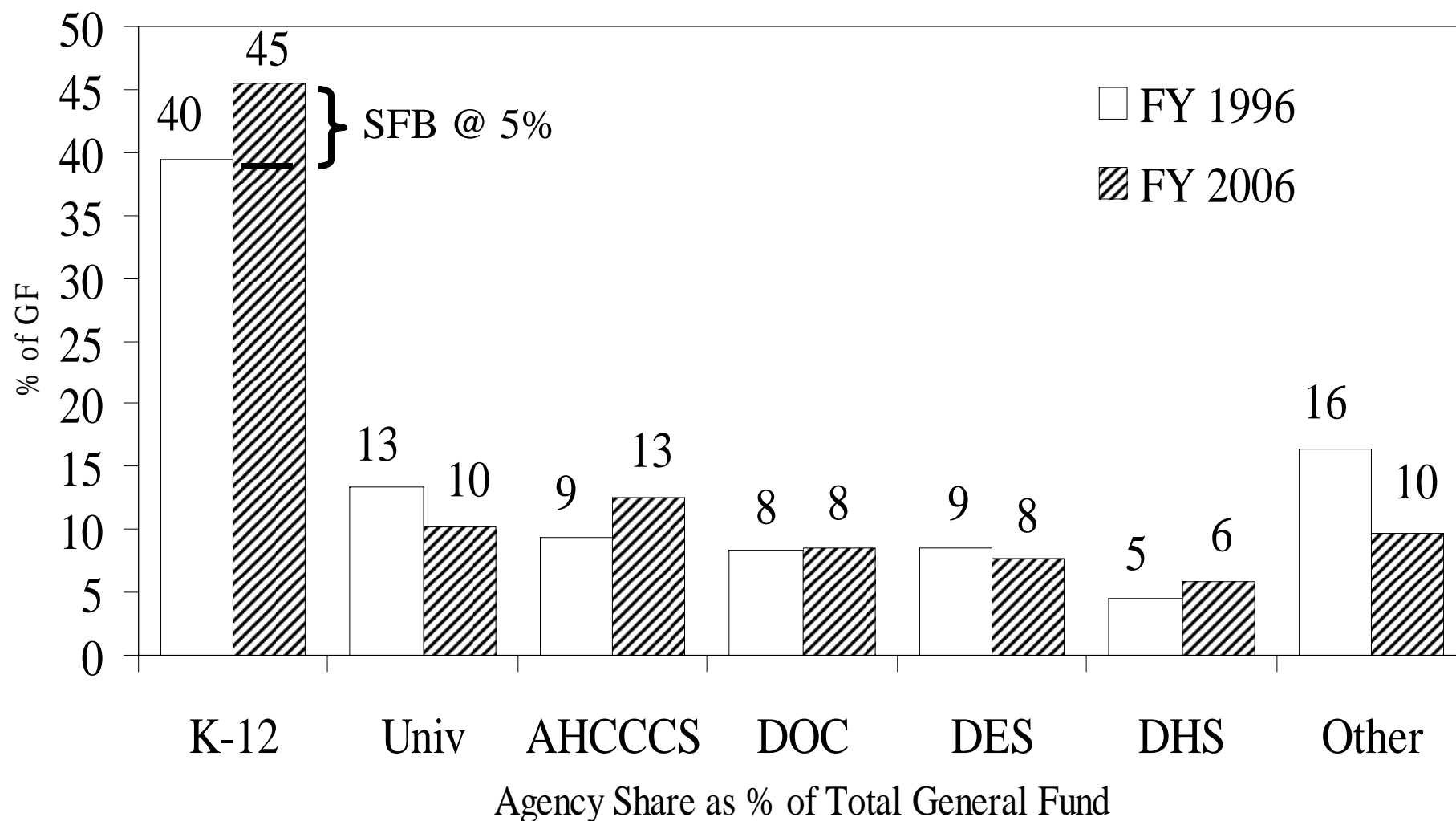
Total Spending Has Increased by \$3.7 Billion in the Last 10 Years



Total Spending Has Increased by 81% in the Last 10 Years



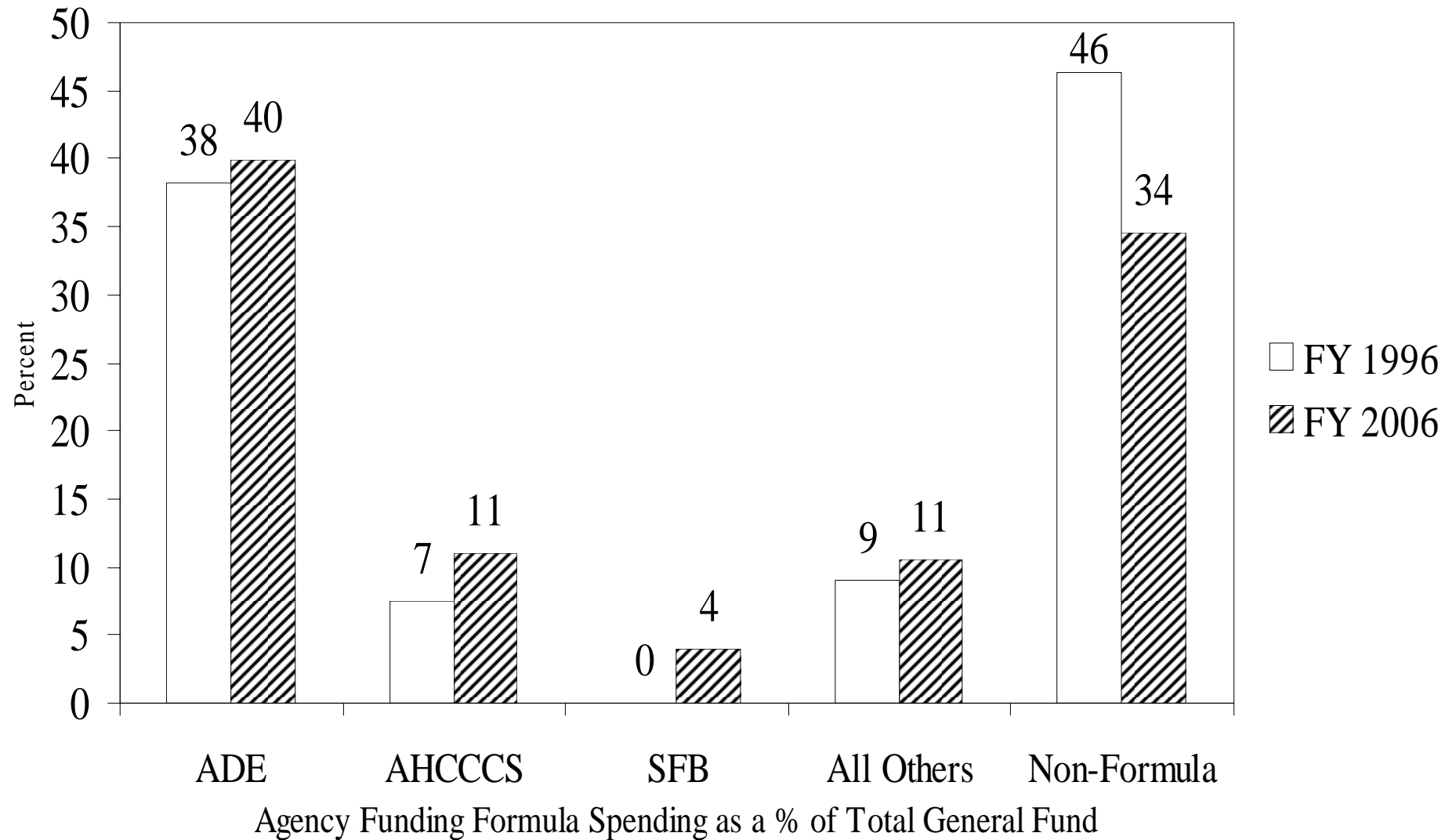
Agency Share of General Fund -- SFB & AHCCCS Are Increasing, Universities Are Declining



Comparison of 9 Largest Operating Budgets (\$ in Millions)

	<u>FY 96 Actuals</u>	<u>FY 06 Approp.</u>	<u>\$ Change FY 96-06</u>	<u>% Change FY 96-06</u>
Education (K-12)	\$ 1,791.6	\$ 3,342.5	\$ 1,550.9	86.6
AHCCCS	420.8	1,035.1	614.3	146.0
Universities	609.2	843.7	234.5	38.5
Corrections	375.4	697.6	322.2	85.8
Economic Security	387.8	630.2	242.4	62.5
Health Services	204.7	476.8	272.1	132.9
School Facilities Board	-	392.6	392.6	NA
Community Colleges	102.2	154.1	51.9	50.8
Judiciary	105.5	117.5	12.0	11.4
Other	<u>535.4</u>	<u>526.9</u>	<u>(8.5)</u>	<u>(1.6)</u>
 TOTAL	 <u><u>\$ 4,532.6</u></u>	 <u><u>\$ 8,217.0</u></u>	 <u><u>\$ 3,684.4</u></u>	 <u><u>81.3%</u></u>

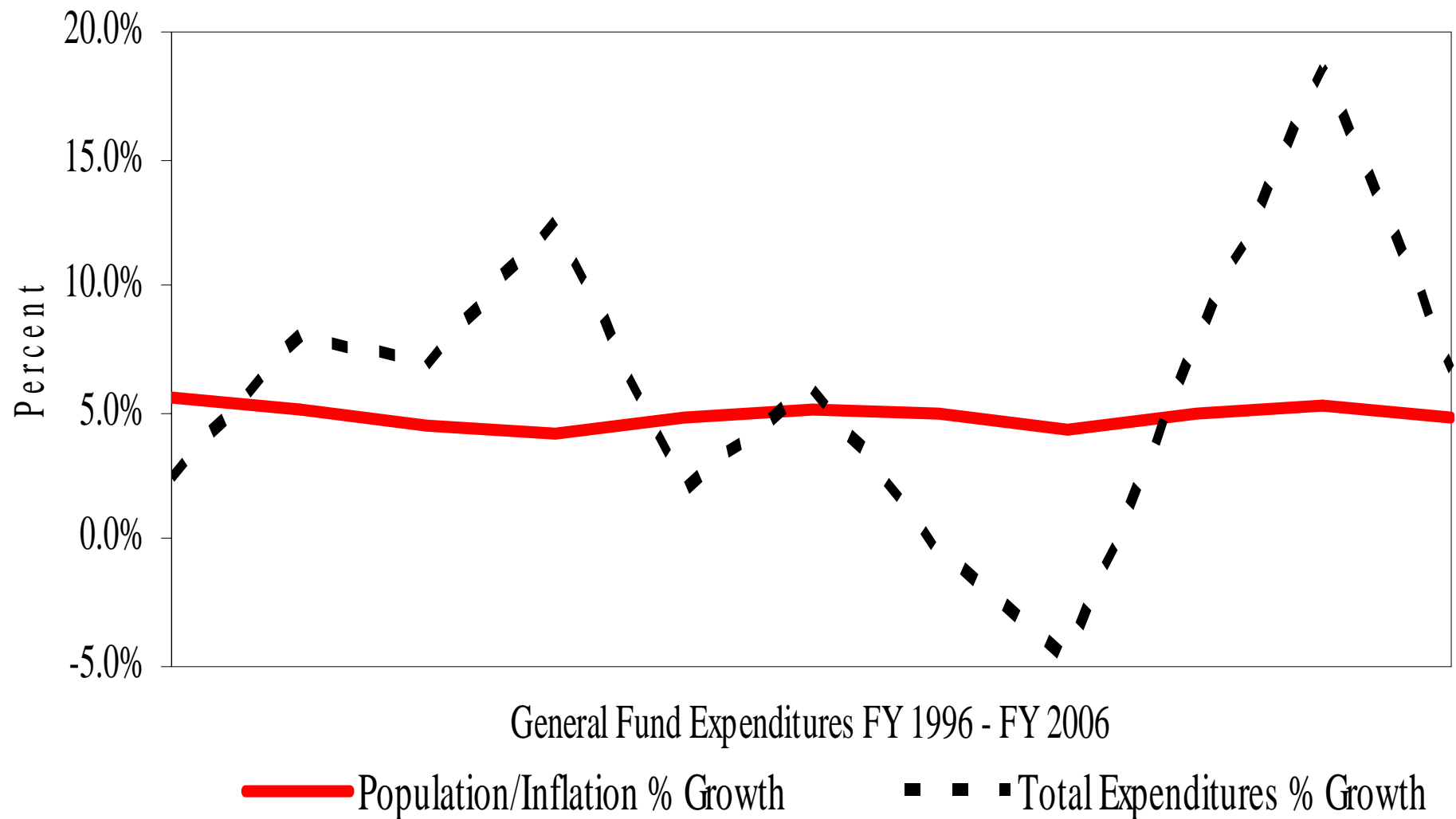
Spending Growth Influenced by Funding Formulas -- Equals 66% of '06 Spending -- Up From 54% in '96



How Does Population and Inflation (P/I) Growth Compare to the 81% 10-Year Spending Rate?

- In the last 10 years, inflation has grown 20% and population has grown 33% for a combined rate of 53%
- The experience of individual years varies widely – spending exceeded P/I growth in 7 of 11 years
- Annual spending growth exceeded annual P/I by as much as 13% ('05) and fell below it by as much as 9% ('03)

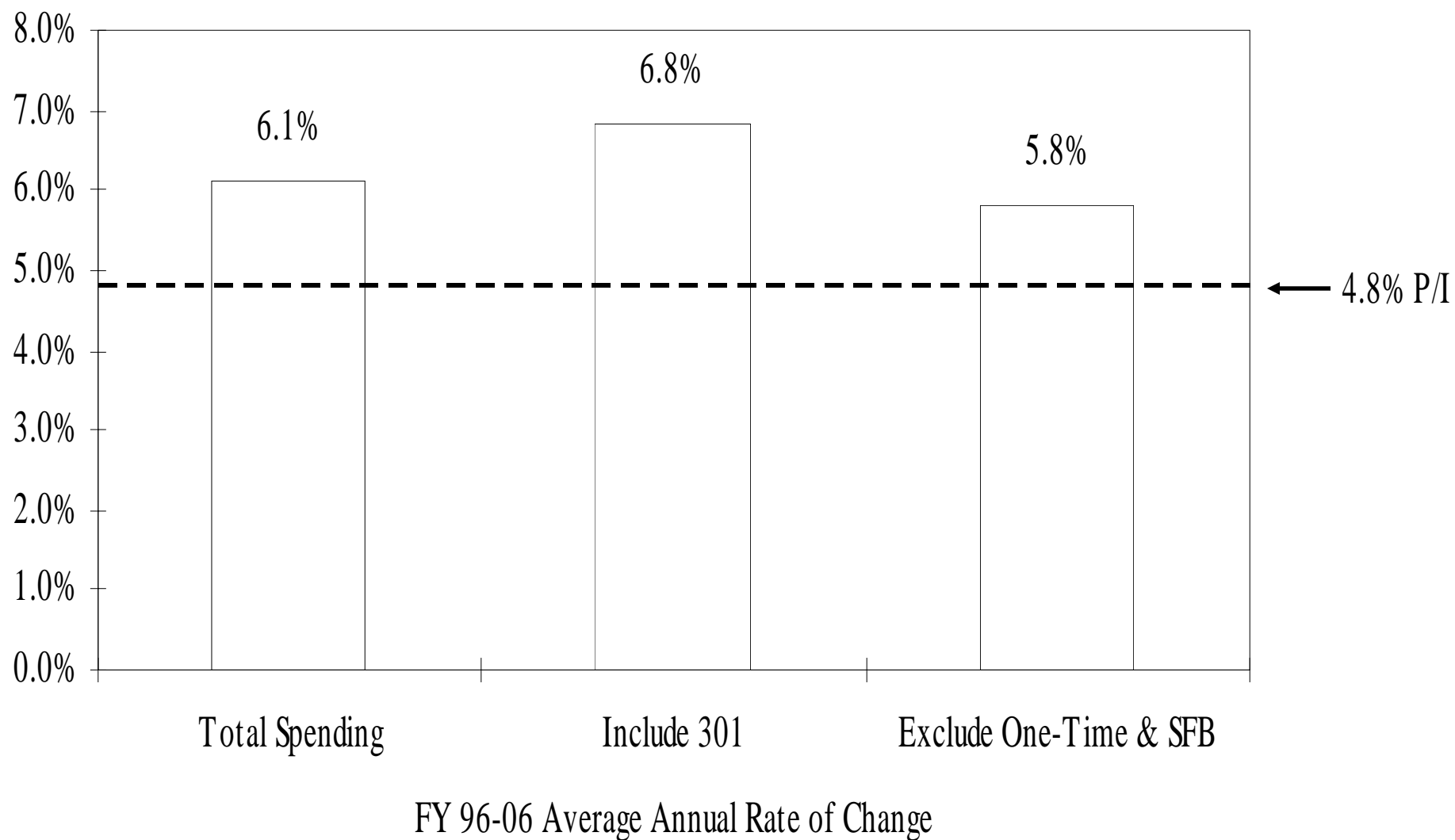
Average Annual Spending Grew by 6.1% in the Last 10 Years, while Population/Inflation Grew by 4.8%



The Definition of “Spending” Can Change the P/I Comparison

- Prior comparisons were based on total “bottom line” General Fund spending
- Spending growth is higher when account for Proposition 301 Sales Tax Growth – which is not part of General Fund
- Spending growth is lower when account for state’s assumption of K-12 school construction

P/I Comparisons Depend on Spending Definition



Caveats on P/I Comparisons

- Results depend on the specific time period – at the end of '04, 10-year spending was below P/I
- General inflation may not capture specific cost pressures – higher rates of medical inflation affect the AHCCCS and DHS budgets

Another Measure of Historical Spending -- GF Spending as a % of AZ Personal Income

